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Remarks:

Attached is a letter from the Civil Service Commission concerning its report of examination of our hospitalization contract. We see no problem in it, but I would like to start the practice with this particular report of securing the review of our Audit Staff. We are prepared to send letters to the underwriter and an answer back to the Civil Service Commission, copies of which are attached, unless your review indicates that something else should be said.

Please return the attached material to me.

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16 MAR 1967

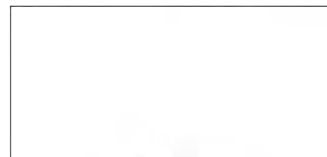
Mr. Andrew E. Ruddock, Director
Bureau of Retirement and Insurance
U. S. Civil Service Commission
Washington, D. C. 20415

Dear Mr. Ruddock:

In compliance with your request by letter dated 8 March 1967, the Joseph E. Jones Agency has been requested to make the adjustments outlined in your letter when the 31 December 1966 annual statement is prepared.

We are very glad to see the satisfactory audit report and assure you that we are quite satisfied with the Report of Examination of Health Benefits Plan Contract CS-1065 covering the two periods ending 31 October 1964 and 31 December 1965, as prepared.

Very truly yours,



President

Distribution:

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14 MAR 1967

Mr. Joseph E. Jones, General Agent
1666 Connecticut Avenue
Washington, D. C. 20009

Attention: Mr. Harris Havard

Dear Mr. Havard:

A letter was received on 8 March 1967 from Mr. Andrew E. Ruddock, Director, Bureau of Retirement and Insurance, U. S. Civil Service Commission, regarding the Report of Examination of Health Benefits Plan Contract CS-1065 covering the two periods ending 31 October 1964 and 31 December 1965, copy attached. As a result of this audit, certain adjustments, with which we agreed, have been recommended. It is our understanding that your home office and local office have concurred in these adjustments. Please take the necessary steps to reflect them in your 31 December 1966 statement.

Sincerely,



Vice President-Secretary

Enclosure

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UNITED STATES CIVIL SERVICE COMMISSION

BUREAU OF RETIREMENT AND INSURANCE

WASHINGTON, D.C. 20415

IN REPLY PLEASE REFER TO

RS:JWB:mt

YOUR REFERENCE

MAR 8 1967

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[Redacted]
President
Government Employees Health Association
Post Office Box 463
Washington, D. C. 20004

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Dear [Redacted]

Enclosed is a draft copy of our Report of Examination of Health Benefits Plan Contract CS 1065 covering the two periods ended October 31, 1964 and December 31, 1965.

Your attention is particularly invited to Pages 2 and 3 of the Report which sets forth the adjustments found to be necessary in the books of your Underwriter, Mutual of Omaha, and his Agent. The Underwriter and his Agent have concurred in these adjustments. We would like to have them reflected in your December 31, 1966 statement if at all possible, and would therefore appreciate your advising Mutual of Omaha accordingly. We would also appreciate any comments you may wish to submit regarding the draft as we are anxious to release the final and official report as soon as possible.

Sincerely yours,

Andrew E. Ruddock

Andrew E. Ruddock
Director

Enclosure

THE MERIT SYSTEM—A GOOD INVESTMENT IN GOOD GOVERNMENT

REPORT OF EXAMINATION
OF
GOVERNMENT EMPLOYEES HEALTH ASSOCIATION

CONTRACT CS 1065

FOR CONTRACT PERIODS

November 1, 1963 Through October 31, 1964
and
November 1, 1964 Through December 31, 1965

Systems and Audits Office
Bureau of Retirement and Insurance
U. S. Civil Service Commission
Washington, D. C. 20415

REPORT OF EXAMINATION
OF
GOVERNMENT EMPLOYEES HEALTH ASSOCIATION

CONTRACT CS-1065

FOR CONTRACT PERIODS

NOVEMBER 1, 1963 THROUGH OCTOBER 31, 1964
AND
NOVEMBER 1, 1964 THROUGH DECEMBER 31, 1965

Background for Examinations

The Government Employees Health Association, an employee organization with headquarters in Washington, D. C., contracted with the U. S. Civil Service Commission under the provisions of the Federal Employees Health Benefits Act of 1959 to provide its members with an indemnity-type health benefits plan. This contract became effective July 1, 1960. The Mutual of Omaha Insurance Company, the Underwriter, through its General Agent performs certain administrative services for the Plan in Washington, D.C.. The accounting reports and the statistical reports are prepared at the Underwriter's Home Office in Omaha, Nebraska. Representatives of the Commission examined accounting statements of the Plan together with the supporting records of the Underwriter and the Underwriter's General Agent covering the two contract periods ended October 31, 1964 and December 31, 1965.

How the Plan Operates

Since the Plan is of the employee organization type, enrollments for benefits are available to all who qualify as members of the Government Employees Health Association. Subscription charges received by the

Association are transmitted to the Underwriter's Home Office at Omaha, Nebraska through its General Agent at Washington, D. C. Enrollees forward all claims for benefits through the Association.

Accounting Statements

The Plan's accounting statements and supporting schedules of administrative charges for the two periods are incorporated herein as Exhibits A and B, each with supporting Schedule No. I.

Conclusions of the Examination

There was no evidence available to the effect that claims generally had not been adjudicated and paid promptly. The cost systems and the costing principles employed to accumulate the administrative charges of the Underwriter and his General Agent were ascertained generally to be consistent with those used in the prior periods, and their charges were considered to be fairly stated with the following exceptions:

Contract Period Ended October 31, 1964

Administrative Expense Item

Amount of Adjustment

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